
MEMORANDUM

TO: Dennis Johnson, Mayor
City Council Members

FROM: Allison Williams, Executive Services Director
Dan Frazier, Public Works Director (Operations)
Mark Calhoun, Finance Director

SUBJECT: Hotel-Motel Tax Discussion

DATE: May 3, 2010

As background, in November 2009, the City issued a RFP to have a firm provide an analysis of the city's hotel-motel tax supported functions and provide recommendations for the future operations of the convention center. At the March 18th work session, Eric Hovee provided his recommendation and his final study is now complete. His suggestion to us, after the work session, was to meet with stakeholders in this issue and refine a proposal for City Council consideration. As background:

Hotel-Motel Funding Overview.

Total hotel-motel fund revenues available to the City of Wenatchee are estimated at \$1.15 million for 2010. This represents a 17% increase in revenues since 2002, equating to an average revenue gain of 2.0% when calculated on an annualized basis:

- Just over three-quarters (76%) of consolidated revenues represent hotel-motel receipts that accrue to the City of Wenatchee – at the combined rate of 6.0%. Another 15% comes from Coast Hotels commissions as operator of the Convention Center, followed by contributions of hotel-motel tax from Chelan County (6%) and East Wenatchee (2%).
- As of 2010, combined hotel-motel fund expenditures are budgeted at approximately \$1.43 million (or \$1.08 million for routine expense). The convention center receives the largest allocation for operating expense support (at 37% of total revenues), followed by the Convention & Visitors (C&V) Bureau (31%), financial support for PFD Town Toyota Center debt service (30%), and debt service on convention center related bonding (26%).
- In effect, total expenditures are currently budgeted at 24% more than revenues, due to a one-time budget transfer of \$350,000 to support funding for the Town Toyota Center, managed and owned by the Greater Wenatchee Public Facilities District (PFD).

In his report, Eric Hovee recommended the following options for future operation:

Organization & Management Options.

Six overall options have been identified for consideration. These options can be evaluated against principles for action as identified by the "Principles for Action" chart to the right below.

- (A) *Status Quo* – assuming no change from current facility and organization responsibilities for the Wenatchee Center (WC), Town Toyota Center (TTC) or Wenatchee Valley Visitors Bureau or Convention & Visitors Bureau (WVVB).
- (B) *Common Facility Management* – involving any of several more detailed sub-options for overall combined WC/TTC management (potentially involving Coast Hotels, Town Toyota Center/PFD, a possible 3rd party private contractor, and/or City).
- (C) *Common Facility Contract Services Providers* – involving lesser change to existing overall facility management but with key services (as for food and beverage concessions) contracted to a single firm for both facilities, either to: Coast Hotels and/or a new third party private contractor – as vendor to both the Wenatchee and Town Toyota Centers.
- (D) *Revamped Visitor, Convention & Booking Functions* - possibly involving options of reorganizing WVVB and/or management by a 3rd party entity, such as WVVB merger with the marketing functions of the two event venues or back with the Chamber of Commerce and/or another local/regional visitor promotion group.
- (E) *City Purchase of the Existing Coast Hotel* - for City management of the Convention Center and headquarters hotel as an integrated, publicly owned but privately operated facility. *Note:* this is not viewed as a near-term option but may emerge longer term.
- (F) *Hybrid Option* – involving possible combination(s) of the above listed options such as a combination of Options B or C *plus* D.

Principles for Action

Overriding Goal:

Minimize Net General Fund Outlays to Support Event Facilities & Visitor Marketing by the City of Wenatchee

Specific Objectives:

- ✓ Increase events utilization & revenue from Town Toyota Center attracting both local resident & non-local patrons
- ✓ Transition Wenatchee Center to more events that put *heads in beds*
- ✓ Target C&V marketing for improved event facility utilization to meet & beat industry standards
- ✓ Provide clear minimum standards for facility & marketing functions
- ✓ Assure competitively priced operations while honoring contributions of past & current local partnerships
- ✓ Leverage hotel-motel (HM) funds to meet current needs & support future opportunities
- ✓ Achieve successful bond refinance by year end 2011 without default
- ✓ Providing funding for improvements to remain competitive *plus* adequate reserves for replacement
- ✓ Assure regular monitoring & mid-course corrections for continued progress toward these hotel-motel funded facility & marketing objectives

Recommended is a combination of Option C (for common facility contract services) plus Option D (revamped C&V marketing) as a *minimum baseline approach*. It is possible that features of Option B (for common venue management) might also be considered, albeit this may be more likely over a longer term pending results of initial Option C and D implementation.

While it is difficult to precisely estimate cost savings as a result of these actions, a review of comparables conducted for this analysis indicates that a 10-15% cost savings on the combined operations of the WVVB, Wenatchee Convention Center and Town Toyota Center represents a potentially achievable target outcome. If realized, this could equate to combined cost savings in the range of \$450,000 - \$675,000 per year across all three hotel-motel supported functions.

Since the March 18, 2010 work session, interviews were held with:

- Steve Lacy, Mayor of East Wenatchee
- Hoteliers
- Craig Larsen, Chamber of Commerce
- Joint Council Committee / PFD Committee Meeting – Evaluation of current model based on presentations by the Town Toyota Center staff, Coast staff and Wenatchee Visitor and Convention Bureau staff
- Performing Arts Center

The following themes arose during the interviews since March 18:

- There is worry that it is too soon to turn over everything to PFD;
- There is comfort in the current operation - "Don't upset the apple cart". A new third party is off the table for management but not for food service;
- There is concern about operation of convention center as an open public facility;
- There is concern about packaging City/region as a whole;
- Cost savings should not be the only concern – also maximizing the economic impact of the hotel-motel tax for the business community.

Following are potential recommendations by the City Council:

Wenatchee Center and Town Toyota Center Facilities:

- Authorization to negotiate with Coast Hotels for expanded management and/or concessions at both Wenatchee Center and Town Toyota Center, or
- Authorization to negotiate with the Greater Wenatchee Regional Event Center PFD to manage and/or operate food and beverage service at the Wenatchee Center, or
- Authorization to issue a competitive Request for Proposal (RFP) for joint management and/or food and beverage operations of Wenatchee Center and Town Toyota Center – for consideration by parties potentially including Coast Hotels, the PFD and qualified third party private firms.

Wenatchee Area Convention and Visitor Promotion:

- Authorization to negotiate with the Wenatchee Valley Visitors Bureau or another existing local visitors promotion organization for streamlined regional convention and/or visitors promotion and event bookings function, and/or
- Authorization to issue a competitive Request for Proposal (RFP) to existing local organizations including Coast Hotels and the PFD for streamlined regional convention and/or visitor promotion and event bookings functions.

Recommendation.

Formalize with a Motion at next week's Council meeting:

Authorize staff to initiate dialogue with the Wenatchee Valley Convention Bureau to provide sales, marketing, convention center bookings and develop a plan to bring back to City Council for approval.

Benefits:

- Seamless booking from meeting planner contact to convention event taking place
- Open calendar so business could be spread out (sports, conventions, trade shows)
- Consistency in presentation of all facilities
- Established relationships

Authorize staff, based also on direction from and in partnership with the Public Facilities District Board, to initiate a Request for Proposal for joint food/catering service for Convention Center and Town Toyota Center and develop a plan for joint food/catering service for Council approval.

Benefits:

- Attractive package that may result in a more favorable bid for the service for both the Town Toyota Center and Convention Center
- Ability to share staff and create an overall cost savings

Goal.

Increase revenues, reduce expenses by restructuring contracts

1. Achieve greater percentage of food and beverage sales;
2. Create efficiencies by combining marketing/management and eliminate overlaps.

* Note: Coast has a union contract. This does bring the area convention business and will be a consideration for a future contractor.

COMPARABLE FACILITY UTILIZATION, MANAGEMENT & FUNDING

A summary comparison of key facility characteristics is provided by the following chart.

Figure 29. Utilization, Management & Funding of Facility Comparables

City (Metro Population)	Convention Facility	Arena/Event Facility
Wenatchee (+/- 110,000)	<i>Utilization:</i> Over 360 events / 56,000 attendees <i>Management:</i> City owned (operated by adjoining Coast Hotel) <i>Capital \$\$:</i> Current debt funded by HM tax <i>Operating \$\$:</i> Gross revenues cover 88% of annual facility requirement (as of 2008)	<i>Utilization:</i> 82 event-days / 137,000 ticketed patrons <i>Management:</i> Regional PFD (managed in-house, initially by private contractor) <i>Capital \$\$:</i> User revenues, STC, City backstop <i>Operating \$\$:</i> 2009 loss, break even 2010
Closest Competitive Comparables		
Yakima (235,000)	<i>Utilization:</i> Approximately 600 event-days; typically 120-150,000 attendees per year <i>Management:</i> City of Yakima / Regional PFD (operated by Yakima Valley V&C Bureau) <i>Capital \$\$:</i> Bonding paid by HM, STC <i>Operating \$\$:</i> Revenues cover 70% of cost; deficit paid by HM tax, STC	<i>Utilization:</i> 150 events typical, (60 in 1 st half of 2009 with estimated 146,450 attendees) <i>Management:</i> Central WA Fair Association <i>Capital \$\$:</i> State of Washington, HM receipts <i>Operating \$\$:</i> No tax-payer subsidy need
Tri-Cities (225,000)	<i>Utilization:</i> ~370 events <i>Management:</i> Kennewick PFD owned (operated by VenuWorks) <i>Capital \$\$:</i> Bonding paid by STC <i>Operating \$\$:</i> Revenues cover < 55% of cost; deficit covered by STC & available reserves	<i>Utilization:</i> ~120 events / year (Toyota Center) <i>Management:</i> City of Kennewick owned (operated by VenuWorks) <i>Capital \$\$:</i> Toyota Center built 1988 <i>Operating \$\$:</i> Annual deficit cut to \$300,000 (covered by admission / sales tax revenue)
Other Washington State Comparables		
Spokane (465,000)	<i>Utilization:</i> Over 475 events, 270,000 attendees <i>Management:</i> Spokane PFD owned & managed (Centerplate as private food / beverage vendor) <i>Capital \$\$:</i> Built for Expo74, STC-funded adds <i>Operating \$\$:</i> Revenues cover 60%+ of cost; deficit covered by admission & HM taxes	<i>Utilization:</i> Over 500 events, 725,000 attendees <i>Management:</i> Spokane PFD owned & managed (Centerplate as private food / beverage vendor) <i>Capital \$\$:</i> Bonding repaid by HM & sales tax <i>Operating \$\$:</i> Financially self-supporting
Everett (620,000)	<i>Utilization:</i> 100 ballroom events, 47,000 attend <i>Management:</i> Everett PFD owned (privately managed by Global Spectrum) <i>Capital \$\$:</i> Funding is part of Comcast Arena <i>Operating \$\$:</i> Budget part of Comcast Arena	<i>Utilization:</i> Over 350 events, 385,000 attendees <i>Management:</i> Everett PFD owned (privately managed by Global Spectrum) <i>Capital \$\$:</i> Bonding repaid by STC, HM <i>Operating \$\$:</i> Currently operates at surplus
Vancouver (400,000)	<i>Utilization:</i> 1,300 events, 110,000 attendees <i>Management:</i> Property owned by Vancouver PFD, leased by DRA (operated by Hilton) <i>Capital \$\$:</i> Bonding repaid by STC, HM (with City financial backstop) <i>Operating \$\$:</i> Net revenues below pro forma (but no City backstop payments needed to date)	<i>Utilization:</i> 11 concerts, 65,000 attendees (average to 2007 for amphitheater) <i>Management:</i> Property owned by Clark County (privately operated by Quincunx) <i>Capital \$\$:</i> Privately funded by operator <i>Operating \$\$:</i> Consistent financial loss (reducing lease payments to County)
Note:	Data for comparable facilities is as reported and not necessarily consistent across facilities. HM denotes hotel-motel tax revenues; STC is the 0.033% state sales tax revenue for PFD projects.	
Source:	E. D. Hovee & Company, LLC based on comparables research. See Appendix D for added detail.	

Figure 30. Strength & Weakness Overview for Hotel-Motel Supported Functions

Strengths	Weaknesses
Convention & Visitor Marketing	
<ul style="list-style-type: none"> • Diverse four-season local & regional recreation attractions – in a setting with 300 days of sunshine • Wenatchee a hub for regional tourism – due to central location, lodging & retail services • Proximity to Puget Sound – for short get-aways • Knowledgeable, hard-working WVVB staff – for tourism promotion + hand-off w/convention bookings • Cooperative relationships with other communities & visitor organizations marketing the NCW region • Support from hotels for Tourism Promotion Area 	<ul style="list-style-type: none"> • Apple theme no longer generates strong visitor appeal • Wenatchee not perceived as strong a visitor draw as rest of the NCW region, except for conventions • Perceived duplication & overlap between local public & private organizations involved in visitor promotion • Lack of a coordinated local/regional events calendar • Stronger working relationships & coordination outside than within the Wenatchee community • Ongoing challenge of demonstrating added economic benefit from tourism promotion
Wenatchee Convention Center	
<ul style="list-style-type: none"> • Central Washington state location with highway & airport access for events drawing attendees statewide • Downtown location – together with river proximity • Good facility capabilities – especially for break-out space, adjoining lodging & improved A/V equipment • Coordinated hotel, center & WVVB marketing with friendly service – most noted by out-of-town groups • Reasonably priced hotel & meeting facilities – relative to other competitive venues statewide • Attractive setting – with up & coming winery draw • Close to self-supported @ 88% of operations need 	<ul style="list-style-type: none"> • Location away from a major freeway corridor – limiting draw for winter months & business groups • Poor street presence from Wenatchee Avenue & distance from Town Toyota Center expo capabilities • Limited on-site parking & exhibit/expo space • Local frustration with lack of information for coming conventions, bookings & service for local events • Inadequate inventory & quality of hotel rooms for large groups – both close-by & community-wide • Missed opportunities for pre-, mid- and post-convention packages with regional destination appeal • Inadequate funds for continued facility improvements
Town Toyota Center	
<ul style="list-style-type: none"> • New, well-designed facility @ beautiful riverfront site • Strong start-up promotion & patron support for the <i>Wenatchee Wild</i> hockey team • Active patronage & revenues from community ice rink – as replacement for former City facility • First year success attracting 14 concert & family shows • Abrupt but successful restructuring from 3rd party private to direct PFD management in first year of operation 	<ul style="list-style-type: none"> • Relatively small NCW market of 110,000 population to fully support an arena facility of up to 5,500 seats • More than 1-mile distance from convention center & lack of nearby lodging, shopping & dining amenities • Inadequate marketing for non-hockey events & introduction to venue for many NCW residents, so far • Food service complaints coupled with low utilization for smaller group & trade show events to date • First year revenues well below projection – not adequate to cover operating cost & debt service
Combined Hotel-Motel Supported Functions	
<ul style="list-style-type: none"> • One-of-a-kind visitor product in Washington State – especially when considered on a regional NCW basis • Remarkable complement of convention, arena & cultural venues – especially when considered for a community of Wenatchee's size 	<ul style="list-style-type: none"> • Weak integration of visitor & venue marketing – with missed opportunities for package deals to extend length of stay & tourism spending • Need for hotel-motel supported functions to sell & serve the community as well as non-local visitors

The mix of *strengths* vary depending on the hotel-motel supported function being considered. However, a key strength across the board is the centrality of Wenatchee's location – to effectively capture and serve both North Central Washington (NCW) and statewide visitor markets. Also noted are good basic facility event capabilities, downtown and Columbia River

Figure 31. Opportunity & Threat Overview for Hotel-Motel Supported Functions

Opportunities	Threats
Convention & Visitor Marketing	
<ul style="list-style-type: none"> • Repositioning valley tourism image to <i>locally grown</i> culinary & wine offerings – plus diverse recreation • More valley & NCW travel packaging – combining recreation, ag-tour, hotel, dining, entertainment & shopping for added length of stay & visitor spending • Re-market existing/new festivals to capture wine & food – also appeal to broader, younger demographic 	<ul style="list-style-type: none"> • Slow economic recovery and/or return to higher fuel prices limiting short get-aways • Dated image of NCW travel product – causing younger & more affluent travelers to go elsewhere • Competition for hotel-motel marketing dollars – especially if required to underwrite existing or prospective facility debt repayment
Wenatchee Convention Center	
<ul style="list-style-type: none"> • Increased marketing to Puget Sound corporate & business groups in conjunction with winery tours • Package deals for pre-, post- and mid-convention events with destination attractions such as Mission Ridge, wineries, Ohme Gardens, Arts Center, Apple Sox & in cooperation with Wenatchee retail/dining • Upgrades to existing larger hotel properties & addition of new lodging inventory nearby • Experimental marketing of Town Toyota Center expo to augment Wenatchee Center meeting capability 	<ul style="list-style-type: none"> • Prolonged curtailment of public agency funded travel • Accelerated trend to more trendy, higher amenity facilities in western & eastern Washington • Challenge with providing adequate space to conventions requiring more expo/exhibit space on-site • Potential return to escalating fuel prices and/or other impetus for video-conferencing • Curtailment of air service frequency to Pangborn • Conflicts over common area use between Convention Center & adjoining Performing Arts Center
Town Toyota Center	
<ul style="list-style-type: none"> • Attraction of added sports team anchors (e.g. arena football – as planned, soccer) • Gradual transition of appropriately sized community consumer shows, receptions & meetings from Wenatchee Center to Town Toyota Center (as scheduling permits) • Joint marketing & shuttle options with Wenatchee Center for meetings that have a major exhibit need • Attraction of state/regional high school tournaments (as for basketball & volleyball) • Ability to partition arena space for smaller, more intimate niche-oriented concert & trade show activity • Joint promotions with other venues/attractions to draw non-local use (as with wineries, Mission Ridge & Gorge Amphitheater) • Development of nearby or adjoining lodging & ancillary retail/dining services 	<ul style="list-style-type: none"> • Challenge for smaller city & independently managed venues to attract quality concert entertainment (as entertainment industry continues to consolidate) • Small market size undermining ability to attract cost-competitive vendors for Town Toyota Center alone • Lack of event mix & marketing appropriate to attract Latino participation • Prolonged operating & debt service subsidy requiring a major share of local or regional General Fund, Hotel-Motel and/or other tax revenues
Combined Hotel-Motel Supported Functions	
<ul style="list-style-type: none"> • Integration of marketing functions between organizations with similar or overlapping promotion and/or bookings functions • Coordinated contractual services and/or management of complementary event venues (e.g. Town Toyota Center, Wenatchee Center) 	<ul style="list-style-type: none"> • Continued time & economic pressures causing travelers & meeting planners to select more updated, better packaged destinations offering seamless service • Effect of prolonged diversion of hotel-motel funding to repayment of Town Toyota Center debt on other existing commitments plus potential loss of other future regional center opportunities

Figure 32. Organization & Management Options

Option	Implications for WC, TTC, WVVB	Advantages	Disadvantages	Implementation Features
A) Status Quo				
	No change from current facility & organizational responsibilities	<ul style="list-style-type: none"> Requires no change to existing agreements (at least to December 2011) 	<ul style="list-style-type: none"> Likely inadequate w/ bond refinancing in 2011 Maintains separate food & beverage operations 	Possible renegotiation of PFD/City agreement with bond refinancing by end of 2011
B) Common Facility Management				
- By Coast Hotels	Coast Hotel management extended to TTC	<ul style="list-style-type: none"> Avoids risk of increased operating deficit 	<ul style="list-style-type: none"> Dissimilar functions for events vs conventions? 	Could occur through negotiated agreement or as result of competitive RFP
- By TTC/PFD	TTC/PFD assumes management of WC	<ul style="list-style-type: none"> Operating synergies (as in Spokane) 	<ul style="list-style-type: none"> Potential increase of facility operating deficit 	
- By New 3 rd Party	Private firm is selected to manage WC & TTC	<ul style="list-style-type: none"> Operating synergies (as in Tri-Cities) 	<ul style="list-style-type: none"> Facilities not big enough to attract top-notch firm? 	Likely joint RFP issued by City & PFD
- By City	City assumes direct management of WC & TTC facilities	<ul style="list-style-type: none"> Provides best accountability for City HM / General Fund use 	<ul style="list-style-type: none"> Depends on quick ramp-up of City in-house management capability 	New PFD agreement w/2011 bond issue & non-renewal of Coast contract
C) Common Facility Contract Providers (e.g. food & beverage service)				
- By Coast Hotels	Coast as TTC provider	<ul style="list-style-type: none"> Greater economy of scale 	<ul style="list-style-type: none"> Coverage (peak events)? 	Negotiated or RFP
- By New 3 rd Party	Private vendor selected to manage both WC & TTC	<ul style="list-style-type: none"> Economy of scale & greater quality control 	<ul style="list-style-type: none"> Adequacy of peak event coverage? 	Likely joint RFP issued by City & PFD
D) Revamped Visitor, Convention & Booking Functions				
- City Department	Reorganization of WVVB & TPA to City department	<ul style="list-style-type: none"> Direct accountability for HM funds (as in Bend) 	<ul style="list-style-type: none"> Loss of East Wenatchee direct participation 	Requires continued hotel-motel advisory role
- By 3 rd Party	Consolidation w/ two event venues, Chamber or other organization	<ul style="list-style-type: none"> More focused & efficient event & visitor targeting 	<ul style="list-style-type: none"> Accountability to City as HM funding source 	Could involve RFP or discussions w/potential partner organizations
E) City Purchase of Coast Hotel	For full City management of WC & HQ hotel, possibly also TTC, WVVB	<ul style="list-style-type: none"> Offers better control of HM-supported functions (as in Vancouver) 	<ul style="list-style-type: none"> Extremely complex & politically challenging; w/increased risk to City 	Potential long-term option if Coast decides to sell; requires private operator
F) Hybrid Option	Possible combination – as of Options B or C <i>plus</i> D	<ul style="list-style-type: none"> Achieves complete streamlining quickly 	<ul style="list-style-type: none"> Potentially cumbersome or politically challenging 	Dependent on political will of City of Wenatchee

Note: Options listing and associated evaluation is preliminary and subject to revision based on review of this draft report.

Revenue / Cost Analysis - Food Service & Marketing Consolidation (Preliminary)

Current Cost Structure	Wenatchee Convention Center	Town Toyota Center	Wenatchee Valley Visitors Bureau	Total All H-M Funded Functions
Current Situation (2009/10):				
Total Budget	\$1,229,024	\$2,782,267	\$471,318	\$4,482,609
	2009 revenue	2010 budget cost	2010 budget, city share is \$351,060	
Gross Food Service Revenue	\$994,903	\$647,084		\$1,641,987
	2009 Revenue	Based on 09 experience		
% to Building / Facility Budget	10.0%	29.5%		17.7%
	Based on contract formula	Assume '09 % (as % of net)		
Food Service Revenue to Building	\$99,490	\$190,884		\$290,374
	Estimated	2010 Budget, final 09 is \$285,630		
Marketing Expense	\$68,058	\$190,000	\$471,318	\$729,376
(advertising plus C&V staffing)	2009 WCH w/o \$131,699 staff exp	2009 general + event marketing	2010 budget	
% of Gross Budget	5.5%	6.8%	100.0%	16.3%
		Assumes more than 09		
Net Food Revenue - Marketing Cost	\$31,432	\$884	(\$471,318)	(\$439,002)
Apply Spokane Model to Wenatchee:				
Total Budget	\$1,229,024	\$2,782,267	\$471,318	\$4,482,609
(Same assumptions as above)		Two-venue total	\$4,011,291	
Gross Food Service Revenue	\$994,903	\$647,084	\$0	\$1,641,987
(Same assumptions as above)				
% to Building / Facility Budget	25.0%	38.0%		30.1%
(Based on Spokane model)	Assume Spokane catering %	Assume Spokane concessions %		
Food Service Revenue to Building	\$248,726	\$245,892	\$0	\$494,618
	Estimated	2010 Budget, final 09 is \$285,630		
Marketing Expense	\$2,458	\$55,645	\$248,700	\$306,803
(advertising plus C&V staffing)	Assume Spokane % expense	Assume Spokane % expense	6.2% of Spokane PFD revs to CVB	
% of Gross Budget	0.2%	2.0%	52.8%	6.8%
(Advertising -- non-staff expense)	Spokane PFD w/o CVB	Spokane PFD advertising	Scaled from Spokane PFD	
Net Food Revenue - Marketing Cost	\$246,268	\$190,247	(\$248,700)	\$187,814
Spokane Model Benefit (Net):				
Food Service Revenue to Building	\$149,235	\$55,008	\$0	\$204,244
				Net Revenue Add
Marketing Expense	(\$65,600)	(\$134,355)	(\$222,618)	(\$422,573)
(advertising plus C&V staffing)	Non-staff marketing saving			Reduced Cost
Net Food Revenue - Marketing Cost	\$214,835	\$189,363	\$222,618	\$626,816
				Net Savings
% Savings on Current Budget	17.5%	6.8%	47.2%	14.0%

Figure 33. Funding Options to Supplement Existing Hotel-Motel Sources

Source	Comments
Currently Utilized Capital & Operating Funding Resources:	
PFD (Existing Sales Tax Credit)	<ul style="list-style-type: none"> Existing 0.033% sales tax credit pledged to Conference Center & Columbia Theater projects Could be augmented by PFD-approved admissions, parking taxes & charges PFD revenues can be used for other projects if sales tax revenues move ahead of what is needed for debt service to 2027 (though revenues are currently lagging)
Federal / State Grants	<ul style="list-style-type: none"> State of Washington \$10 million CERB grant used for portion of previously committed Toyota Town Center funding No significant added sources currently identified Best potential for “off-the-shelf” projects if new federal stimulus or state rural programs occur
Hotel-Motel Tax Revenue	<ul style="list-style-type: none"> Current City of Wenatchee revenues already pledged to Wenatchee Center, WVVB and, now, Town Toyota Center – augmented by East Wenatchee revenues and Chelan County LOTS City hotel-motel rate @ top of state rates; further increases dependent on legislative approval Funding for new facilities best justified if added hotel-motel room nights can be demonstrated Use for Town Toyota Center dependent on ongoing determination of added tourism benefit
User Revenues	<ul style="list-style-type: none"> Added user revenue dependent primarily on increased attendance at WC and TTC Could consider increased fees but likely not a substantial resource pending economic recovery
Not Utilized but Potentially Available Resources:	
PFD (Voter-Approved Sales Tax)	<ul style="list-style-type: none"> Up to 0.2% added local sales tax available if approved by a majority of PFD voters (potentially generating up to \$3.8 million of added revenue annually) Would more than satisfy anticipated debt service requirements; voter approval uncertain
Private Investment	<ul style="list-style-type: none"> Best opportunity for facilities with strong potential for year-round revenue & profit potential (e.g. hotel/motel, sports center, facility concessions) May depend on public-private partnership if situated on County property & to incent development that supports active public use
Private Donations / Philanthropy	<ul style="list-style-type: none"> Best for facilities with broad public use & donor appeal (e.g. Performing Arts Center) Naming rights as for TTC/WC rooms, chairs, outdoor amenities (large/small donors)
Metropolitan Parks District	<ul style="list-style-type: none"> Requires creation of new taxing district to fund parks & recreation (e.g. TTC) Requires voter approval for MPD formation as a separate taxing district; can issue voter approved or non-voted bonds
Local Revitalization Financing	<ul style="list-style-type: none"> Can provide capital funding repaid by incremental property and/or sales tax revenues Uncertain use for WC/TTC as added tax revenues are dependent on vicinity area development Best opportunity occurs subsequent to or in conjunction with major private investment
Port District	<ul style="list-style-type: none"> Broad statutory capability for economic development plus precedent of investment in lodging and conference related facilities elsewhere in Washington State (e.g. Vancouver, Seattle)
Voted GO Bond	<ul style="list-style-type: none"> Voter approved general obligation (GO) bonding available to any benefiting City, County and/or PFD, subject to super-majority (60%) voter approval Voter measure could combine convention/expo funding with other priority community needs
Non-Voted GO Bond	<ul style="list-style-type: none"> Can be approved by County/City action (up to amount of remaining non-voted debt capacity) Typically not viewed as viable source for non-emergency community facilities Repaid by General Fund revenues unless other dedicated revenue sources can be secured Available City of Wenatchee non-voted debt capacity of \$20.67 million (as of 2010)
Note:	Listing of potential sources is preliminary and subject to revision.

Figure 36. Tourism Trends of Wenatchee MSA & Washington (1991-2008)

	Wenatchee MSA			Washington State		
	1991	2001	2008	1991	2001	2008
Total Direct Travel Spending (\$Million)						
Visitor Spending at Destination	\$174.1	\$274.2	\$387.5	\$5,678	\$8,991	\$13,409
Other Travel*	\$1.1	\$1.3	\$1.0	\$1,144	\$1,489	\$1,973
Total Direct Spending	\$175.2	\$275.4	\$388.4	\$6,823	\$10,480	\$15,382
Visitor Spending by Type of Traveler Accommodation (\$Million)						
Hotel, Motel	\$97.1	\$163.9	\$236.3	\$2,551	\$4,384	\$6,730
Private Campground	\$5.7	\$6.9	\$8.6	\$247	\$318	\$457
Public Campground	\$8.9	\$10.6	\$13.9	\$105	\$130	\$176
Private Home	\$13.6	\$22.1	\$32.6	\$1,455	\$2,224	\$3,206
Vacation Home	\$6.0	\$8.2	\$10.7	\$115	\$157	\$212
Day Travel	\$42.7	\$62.6	\$85.2	\$1,205	\$1,779	\$2,627
Spending at Destination	\$174.1	\$274.2	\$387.5	\$5,678	\$8,991	\$13,409
Visitor Spending by Commodity Purchased (\$Million)						
Accommodations	\$33.9	\$59.7	\$86.0	\$889	\$1,568	\$2,397
Food & Beverage Services	\$50.4	\$80.8	\$116.8	\$1,358	\$2,167	\$3,164
Food Stores	\$10.3	\$16.3	\$22.7	\$284	\$451	\$633
Ground Tran. & Motor Fuel	\$14.5	\$24.5	\$53.9	\$927	\$1,592	\$3,332
Arts, Entertainment & Recreation	\$31.3	\$45.6	\$56.2	\$796	\$1,178	\$1,459
Retail Sales	\$33.7	\$47.0	\$51.7	\$1,013	\$1,440	\$1,609
Air Transportation (visitor only)	\$0.2	\$0.3	\$0.3	\$411	\$595	\$816
Spending at Destination	\$174.1	\$274.2	\$387.5	\$5,678	\$8,991	\$13,409
Industry Earnings Generated by Travel Spending (\$Million)						
Accommodations & Food Service	\$31.2	\$53.8	\$76.3	\$801	\$1,370	\$2,003
Arts, Entertainment & Recreation	\$14.4	\$22.8	\$27.3	\$407	\$654	\$791
Retail**	\$6.0	\$9.2	\$11.5	\$194	\$290	\$363
Auto Rental & Ground Tran.	\$0.5	\$1.0	\$1.4	\$47	\$96	\$132
Air Transportation (visitor only)	\$0.1	\$0.1	\$0.1	\$139	\$250	\$255
Other Travel*	\$0.5	\$0.6	\$0.4	\$452	\$659	\$707
Total Direct Earnings	\$52.6	\$87.5	\$117.1	\$2,040	\$3,320	\$4,251
Industry Employment Generated by Travel Spending (Jobs)						
Accommodations & Food Service	2,660	2,970	3,520	59,900	67,300	78,900
Arts, Entertainment & Recreation	1,600	1,920	1,870	36,900	39,500	38,600
Retail**	460	480	500	13,700	14,100	14,600
Auto Rental & Ground Tran.	30	50	50	2,900	4,500	4,700
Air Transportation (visitor only)	0	0	0	3,200	4,400	3,500
Other Travel*	20	20	10	10,400	12,200	10,500
Total Direct Employment	4,770	5,450	5,950	127,000	141,900	150,800
Tax Receipts Generated by Travel Spending (\$Million)						
Local Tax Receipts	\$2.5	\$5.4	\$8.1	\$88	\$211	\$315
State Tax Receipts	\$9.9	\$15.2	\$20.6	\$334	\$506	\$698
Federal Tax Receipts	NA	NA	NA	\$394	\$620	\$797
Total Direct Tax Receipts	\$12.4	\$20.6	\$28.7	\$816	\$1,337	\$1,810

Notes: * Other Travel includes resident air travel and travel agencies.

** Retail includes gasoline.

Denotes summation lower than indicated due to undisclosed data of either less than \$50,000 in earnings or less than 5 employees.

Source: Dean Runyan Associates.

Figure 40. Hotel-Motel Tax Receipt Trend (2000-08)

Distributions of State-Shared Hotel/Motel Taxes To Cities and Counties (2% base rate + add-ons)

RCW 67.28.180

Receipts are credited against state sales tax; no additional tax burden for purchasers

Location	Total Tax Rate	2000	2001	2002	2003	2004	2005	2006	2007	2008	Annual % Change
Chelan County	4%	215,800	213,200	245,300	254,800	255,600	250,800	518,700	703,000	789,100	17.59%
Cashmere	2%	300	D	300	1,200	300	D	D	500	2,000	26.76%
Chelan	5%	500,300	547,700	527,600	572,900	572,000	599,800	631,000	678,600	650,900	3.34%
Enliat	2%	400	D	D	D	D	D	600	D	900	10.67%
Leavenworth	5%	663,200	611,200	649,200	658,300	660,600	693,300	818,300	862,300	911,200	4.05%
Wenatchee	6%	699,500	658,000	693,000	713,600	740,700	756,300	854,400	975,800	1,011,700	4.72%
Subtotal Chelan County		2,079,500	2,030,100	2,115,400	2,200,800	2,229,200	2,300,200	2,823,000	3,220,200	3,365,800	6.20%
Douglas County	0%	-	-	-	-	-	-	-	-	-	-
East Wenatchee	6%	93,000	48,400	48,600	76,300	31,900	26,100	51,900	107,800	120,400	3.28%
Subtotal Douglas County		93,000	48,400	48,600	76,300	31,900	26,100	51,900	107,800	120,400	3.28%
Douglas + Chelan		2,172,500	2,078,500	2,164,000	2,277,100	2,261,100	2,326,300	2,874,900	3,328,000	3,486,200	6.09%

Summary of Statewide Distributions of State-Shared Hotel/Motel Taxes to Cities and Counties

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Annual % Change
Counties	17,304,000	17,271,000	16,226,300	21,200,500	22,967,400	24,926,000	28,623,000	32,532,100	34,305,700	8.93%
Cities	10,556,900	10,390,600	10,265,700	24,334,800	25,510,200	25,229,500	28,515,400	36,054,800	36,882,400	16.93%
Ds	509,800	617,500	584,000	605,500	748,700	781,000	928,800	1,148,300	2,058,300	19.06%
Total State of Washington	28,370,700	28,279,100	27,076,000	46,140,800	49,226,300	50,936,500	58,067,200	69,735,200	73,246,400	12.59%

Note: Receipts shown are for the combination of the base 2% state-shared hotel-motel tax distribution plus optional local hotel motel receipts.

D Data can not be disclosed.

Source: State of Washington Department of Revenue.

Figure 41. Combined Wenatchee Hotel-Motel Fund History (2002-10)

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Budget 2010
Revenue									
Wenatchee Hotel/Motel Tax	\$717,287	\$707,194	\$753,368	\$754,588	\$866,665	\$989,085	\$1,008,056	\$862,000	\$879,000
Chelan County Hotel/Motel Tax	\$49,066	\$50,957	\$51,120	\$50,158	\$60,619	\$69,243	\$78,472	\$65,000	\$65,000
East Wenatchee	\$18,234	\$20,754	\$16,127	\$17,882	\$20,255	\$25,508	\$25,850	\$25,800	\$25,000
West Coast/Coast Hotel Commissions	\$166,909	\$170,594	\$177,034	\$168,162	\$177,852	\$198,914	\$195,591	\$171,900	\$175,300
Miscellaneous	\$33,171	\$29,799	(\$16,656)	\$18,584	\$22,316	\$20,921	\$16,147	\$8,401	\$8,301
Total Revenues	\$984,667	\$979,298	\$980,993	\$1,009,374	\$1,147,707	\$1,303,671	\$1,324,116	\$1,133,101	\$1,152,601
Expenditures									
Operating Expenditures (Convention Center)									
Wage related	\$80,255	\$79,784	\$85,331	\$102,517	\$124,795	\$148,183	\$161,250	\$169,540	\$172,654
Supplies	\$18,966	\$20,586	\$28,180	\$127,954	\$62,846	\$51,873	\$32,156	\$39,700	\$39,700
Professional services	\$1,147	\$778	\$788	\$713	\$43,221	\$33,035	\$5,089	\$10,000	\$10,000
Communications	\$703	\$563	\$632	\$1,230	\$1,091	\$973	\$1,324	\$1,400	\$1,400
Equipment rental and replacement	\$9,214	\$8,054	\$7,037	\$6,740	\$10,030	\$10,778	\$13,028	\$13,569	\$18,438
Insurance	\$17,736	\$22,344	\$31,296	\$32,904	\$32,904	\$32,904	\$32,904	\$32,900	\$26,100
Utilities	\$88,905	\$85,778	\$88,693	\$91,031	\$100,750	\$111,574	\$111,527	\$113,500	\$113,500
Repairs and maintenance	\$15,886	\$14,789	\$11,962	\$14,658	\$19,651	\$13,312	\$21,044	\$19,500	\$19,500
Miscellaneous	\$245	\$486	\$1,058	\$686	\$797	\$3,446	\$748	\$4,200	\$4,200
Interfund svc (ground maint by park crew)	\$8,928	\$10,748	\$2,982	\$11,975	\$10,895	\$9,714	\$9,565	\$11,000	\$19,000
Total Operating Expenditures	\$241,985	\$243,910	\$257,959	\$390,408	\$406,980	\$415,792	\$388,635	\$415,309	\$424,492
C&V Bureau									
Capital expenditures	\$343,889	\$282,777	\$301,344	\$301,835	\$387,174	\$395,634	\$408,224	\$350,000	\$351,600
Debt service on LTGO bonds	\$9,081	\$293,908	\$197,994	\$56,518	\$133,421	\$28,797	\$0	\$75,000	\$0
Transfer out - #001 GWREC PFD CLA	\$323,163	\$321,787	\$324,274	\$326,261	\$323,305	\$324,229	\$384,880	\$302,418	\$305,208
Transfer out - #503 Equipment Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$350,000
Total Expenditures	\$918,118	\$1,142,382	\$1,081,571	\$1,075,022	\$1,250,880	\$1,164,452	\$1,213,139	\$1,142,727	\$1,431,300
Revenues over (under) expenditures									
Fund balance, January 1	\$66,549	(\$163,084)	(\$100,578)	(\$65,648)	(\$103,173)	\$139,219	\$110,977	(\$9,626)	(\$278,699)
Fund balance, December 31	\$752,415	\$818,964	\$655,880	\$555,302	\$489,654	\$386,481	\$525,700	\$636,677	\$627,051
	\$818,964	\$655,880	\$555,302	\$489,654	\$386,481	\$525,700	\$636,677	\$627,051	\$348,352

Note: Information represents a composite of City of Wenatchee Funds 105, 106 and 107.

Source: City of Wenatchee.